

Banking credit continues to recover posting a 9.6% yoy increase in April

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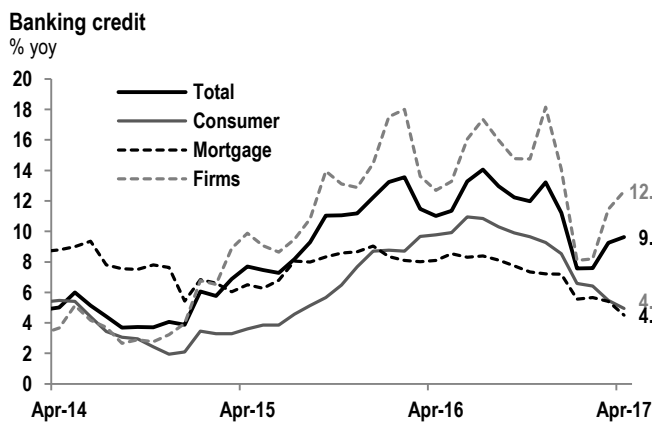
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- Banxico just published its banking credit report for the fourth month of 2017
- Banking credit expanded 9.6% yoy in real terms, above our 6.5% forecast (previous: 9.2%)
- Consumer credit expanded 4.9% yoy in real terms
- Mortgage loans increased 4.5% yoy, while banking credit to private firms expanded 12.6%
- Non-performing loans stand at 2.4%, below the 2.9% observed in April 2016
- Looking ahead, we believe that private credit will continue to grow at a moderate pace

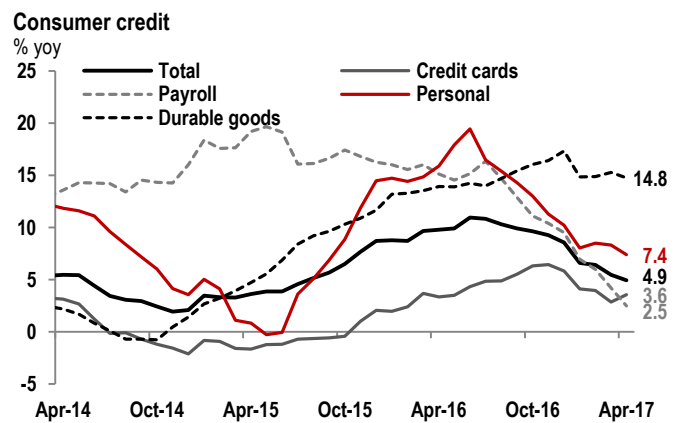
Banxico published its monthly banking credit report. April's report shows that banking credit expanded 9.6% yoy, above our 6.5% forecast (previous: 9.2%). Taking a look at the breakdown, consumer credit grew 4.9% yoy. Within this component, we highlight the growth of durable goods credit, which increased 14.8% yoy. Moreover, personal and payroll credit expanded 7.4% and 2.5% yoy respectively. In addition, credit card lending increased 3.6%.

Housing credit posted a 4.5% yoy expansion, as a result of the 6.6% growth in residential housing credit. Moreover, banking credit to private firms grew 12.6% in April. Taking a look at the breakdown, credit to the manufacturing industry grew 17.2%, while services credit expanded 16.7%. On the other hand, construction and mining credits decreased by 0.5% and 3.2% respectively.

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Source: Banorte-ixe with data from Banxico



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Banking credit: April 2017

% yoy

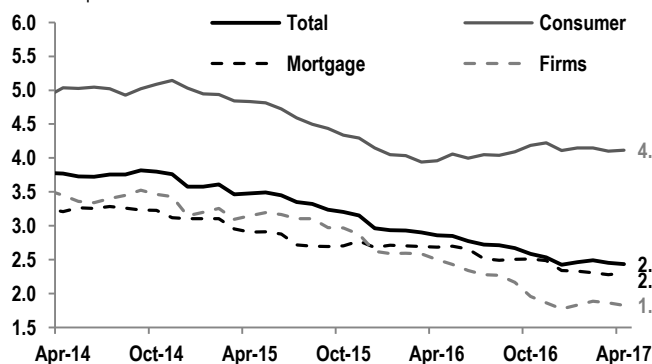
	Apr-17	Mar-17	Apr-16	Jan-Apr, '17	Jan-Apr, '16
Private banking credit	9.6	9.2	11.0	8.5	12.3
Consumer	4.9	5.5	9.8	5.8	9.2
Credit cards	3.6	2.9	3.3	3.6	2.8
Payroll	2.5	4.2	15.1	4.9	15.7
Personal	7.4	8.3	15.9	8.0	15.0
Durable goods	14.8	15.3	13.9	14.9	13.5
Auto loans	14.2	14.8	13.3	14.5	12.6
Other durable goods	21.2	20.3	22.4	19.9	24.5
Others	-6.9	-4.1	3.6	-3.8	0.1
Mortgage	4.5	5.4	8.1	5.3	8.1
Social interest	-10.2	-9.8	-4.6	-9.6	-2.9
Medium and residential	6.6	7.6	10.2	7.4	9.9
Firms	12.6	11.5	12.7	10.1	15.4
Primary activities	0.7	3.3	22.5	3.0	21.9
Mining	-3.2	-2.1	77.1	-0.9	92.2
Manufacturing industry	17.2	15.3	8.8	13.4	9.9
Construction	-0.5	-0.4	16.4	0.0	14.6
Services	16.7	14.7	9.0	12.7	14.5
Non-banking financial intermediaries	42.2	38.5	12.5	33.8	13.4

Source: Banxico

Non-performing loans stand at 2.4%, below the 2.9% observed in April 2016. By components, non-performing loans in the consumer segment stood at 4.1%. Credit card NPLs reached 5.2% of total portfolio, while NPLs in payroll, personal, and durable goods credits stood at 3.0%, 5.2%, and 1.5%, respectively. Moreover, non-performing loans in housing credit stood at 2.3%, while corporate credit NPL's reached 1.8% of total portfolio.

Non-performing loans

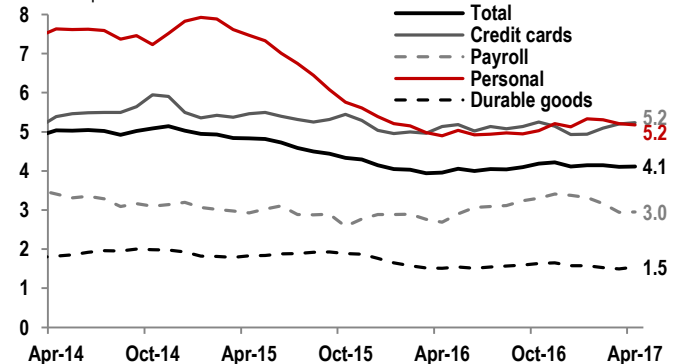
% of total portfolio



Source: Banorte-ixe with data from Banxico

Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte-ixe with data from Banxico

Looking ahead, we believe that private credit will continue to grow at a more moderate pace. It is likely that bank lending will continue to be driven by formal job creation, albeit at a lower rate than in the previous year –largely due to the uncertainty surrounding the policies that the new US administration may enact–. However, it will continue to show a positive performance. In addition, changes in the annual growth rate will be more moderate, as a result of a high base of comparison in 2016.

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